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DEPARTMENT OF DEFENSE
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DoD Inspector General Report

February 12, 2007
Report No. D-2007-060
Project No. D2006-D000LQ-0240.000

MEMORANDUM FOR COMMANDER, MULTI-NATIONAL SECURITY TRANSITION COMMAND-IRAQ

**SUBJECT: Management of the Iraq Security Forces Fund in Southwest
Asia - Phase II**

Objectives. The overall objectives of the audit are to evaluate whether the \$5.7 billion provided in the FY 2005 supplemental appropriation for equipping, supplying, and training the Iraq Security Forces and repairing, renovating, and constructing facilities and infrastructure was used for the intended purposes and whether transfers to other DoD appropriations followed congressional intent and applicable appropriations law.

Scope and Methodology. "Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Tsunami Relief, 2005" (Public Law 109-13), May 11, 2005, provided \$5.7 billion for the Iraq Security Forces Fund (ISFF), of which the Commander, Multi-National Security Transition Command-Iraq (MNSTC-I) received \$5.2 billion.

We planned the audit in three phases. In the first phase, we examined how the Office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer and the Office of the Assistant Secretary of the Army for Financial Management and Comptroller distributed the \$5.7 billion for the ISFF to determine whether the distribution complied with the 14 provisions of Public Law 109-13 and applicable appropriations law. We determined that the funds were distributed properly.

In this, the second phase, we examined whether the obligations recorded for the MNSTC-I using the ISFF were made in accordance with legislative intent and applicable appropriations law. We reviewed a randomly selected sample of 100 obligations made by the MNSTC-I (comprising 395 obligation transactions) valued at \$3.3 billion from a universe of 1,074 obligations (comprising 2,114 obligation transactions) and valued at \$4.6 billion. As of June 30, 2006, the Commander, MNSTC-I, had obligated \$4.6 billion of the \$5.2 billion as required by Public Law 109-13.

We will complete the third phase of the audit in Iraq to determine whether the MNSTC-I properly accounted for the goods and services purchased for the Iraqi Security Forces using the ISFF and whether the delivery of goods and services was properly made to the Iraqi Security Forces. We will issue a subsequent report for the third phase of the audit.

Results-In-Brief and Effect. We determined that obligations incurred by the MNSTC-I for the audit sample of 100 obligations complied with the intent of Public Law 109-13.

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Results and Effect on Operations

We determined that, as of June 30, 2006, obligations incurred by the MNSTC-I for the audit sample of 100 obligations and the associated 395 obligation transactions valued at \$3.3 billion, out of an audit universe of \$4.6 billion in funds appropriated for the ISFF, complied with the intent of Public Law 109-13.

Background

Public Law 109-13. Public Law 109-13, specifically, Section 3; References; Division A-Emergency Supplemental Appropriations for Defense, the Global War on Terror, and Tsunami Relief, 2005; Title I-Defense Related Appropriations, appropriated \$5.7 billion to the Secretary of Defense that allowed the Commander, MNSTC-I, to provide assistance, with the concurrence of the Secretary of State, to the security forces of Iraq.

The Commander, MNSTC-I, received \$5.246 billion and the funds were to be used to provide equipment, supplies, services, training, facility and infrastructure repair, renovation, and construction. The Army Forces Command received \$.145 billion and the Defense Security Cooperation Agency received \$.099 billion from this appropriation to assist the Iraqi Security Forces. In addition, \$.210 billion from the appropriation was transferred to the "Operations and Maintenance, Army" appropriation account by Public Law 109-13. The appropriation expired September 30, 2006.

Multi-National Security Transition Command-Iraq Mission. The primary MNSTC-I mission is to assist the Iraqi government in developing, organizing, training, equipping, and sustaining Iraqi Security Forces. This mission is performed by three components of the MNSTC-I. The Coalition Military Assistance Training Team organizes, trains, equips, and mentors the Iraqi Armed Forces;¹ the Civilian Police Assistance Training Team organizes, trains, equips, and mentors the Iraqi Civilian Police Forces² and other components of the Iraqi Ministry of Interior; and the Joint Headquarters Advisory Support Team assists the Joint Headquarters of the Iraqi Armed Forces in developing a command and control system.

We discuss additional details for the scope and methodology in Attachment 1.

Audit Results

We examined the 100 sample obligations and the associated 395 sample obligation transactions and determined that the purposes of the obligations met the intent of Public Law 109-13. Our audit approach was to examine the obligation document (a contract or a Military Interdepartmental Purchase Request (MIPR) acceptance) for each obligation transaction and any other supporting documentation necessary to justify the obligations made for the 395 obligation transactions.

¹Major organizations comprising the Iraqi Armed Forces include the Army, Navy, Air Force, Special Operations Forces, Training and Doctrine Command, and Support Command.

²Major organizations comprising the Iraqi Civilian Police Forces include the National Police, Police Service, Intelligence, Support Forces (such as the Department of Border Enforcement Forces, Ports of Entry, National Identification, Visas and Passports), and training facilities.

We performed the audit work to determine whether the obligation documentation identified the specific goods and services purchased and whether those goods and services were designated to specifically assist the Iraqi Security Forces or an organization, function, or mission within the Iraqi Ministry of Defense or Ministry of Interior. The legislative intent is discussed in the Background paragraph and the appropriation law concerning obligations follows.

Obligations Criteria. The United States Code, Government Accountability Office, and the DoD Financial Management Regulation provide guidance concerning obligations, documentary evidence required for obligations, and the specificity required in Government contracts. This guidance for obligations, the documentary evidence required for obligations, and the specificity required in Government contracts is discussed in Attachment 2. The United States Code, the Defense Federal Acquisition Regulation Supplement, and the DoD Financial Management Regulation provide guidance for the MIPRs. The guidance for the MIPRs is discussed in Attachment 3.

Supporting Documentation. The following paragraphs discuss two examples of the audit approach we took to examine the supporting documentation for the obligation transactions and to identify the purpose of the obligation.

Weapons Cleaning Kits. We reviewed supporting documentation for contract W91GY0-06-M-0819 (the obligation document) to purchase cleaning kits for 9mm pistols and machine guns for the Iraqi police. The Joint Contracting Command-Iraq/Afghanistan issued the contract for \$843,974.45.

Initially, we reviewed a Purchase Request and Commitment form, which provided a brief description of the goods to be procured but did not specifically state that those goods were being purchased for the Iraqi Security Forces.

Next, we obtained the MNSTC-I Funding Request and Coordination Sheet associated with this purchase to determine whether a more detailed justification for the funds existed. The Funding Request and Coordination Sheet is a document that describes the type and purpose of the goods needed; provides a justification for the purchase request and subsequent obligation; and is a routing sheet among the various MNSTC-I staff functions, including the Chief of Staff and Judge Advocate General, to obtain internal approvals for the purchase. The Funding Request and Coordination Sheet did state that the funds were to purchase the cleaning kits to meet Iraqi police requirements.

Finally, we reviewed the obligation contract that specifically shows the \$843,974.45 obligated for 9mm pistol and machine gun cleaning kits. Further, we determined that the unique Purchase Request and Commitment requisition number (W915WE61198415) matched the requisition number referenced on the obligation document.

We concluded that the obligation incurred for this sample item was made in compliance with the intent of Public Law 109-13.

Up-Armored Vehicles. We reviewed supporting documentation for contract DAAE07-00-C-S019 (the obligation document) to purchase up-armored vehicles for the Iraqi military. The Army Tank-automotive and Armaments Command issued the contract for \$120,513,007. Three Category II (direct fund cite) MIPRs (sample obligation transactions) were associated with this contract; the MIPR numbers were W915WE61208430 (\$31,491,504), W915WE51878904 (\$43,194,253), and W915WE53093401 (\$45,827,250). In this example, we will discuss one of those MIPRs - W915WE53093401.

Initially, the audit team reviewed a Direct Citation Execution Status report, which provides a statement of the funds that have been executed for a specific MIPR number. This Direct Citation Execution Status report did not provide a description of the goods purchased, but the estimated fund amount shown was matched to the MNSTC-I Funding Request and Coordination Sheet, which stated that the funds were to purchase up-armored vehicles for the Iraqi military.

Finally, we reviewed the contract and the amendments to the contract that referenced MIPR numbers W915WE61208430, W915WE51878904, and W915WE53093401. The contract and associated amendments specified that up-armored vehicles were to be purchased for the Iraqi military.

We concluded that obligation incurred for this sample item complied with the intent of Public Law 109-13.

Examination of Documentation for Other Audit Sample Obligation Transactions.

We completed the examination of the obligation document and any other supporting documentation for the other 393 obligation transactions in a manner similar to the two examples.

Conclusion Categories. Once we completed our examination of the documentation supporting each obligation transaction, we recorded our conclusions by the dollar amount associated with each obligation transaction into one of four categories.

1. Obligation met the intent of the legislation
2. Obligation did not meet the intent of the legislation
3. Insufficient documentation was provided to determine whether the intent of the legislation was met
4. No documentation was provided to determine whether the intent of the legislation was met

The detailed definitions of our conclusion categories are in Attachment 4.

Conclusion

Based on our examination of pertinent documentation, we determined that, as of June 30, 2006, obligations incurred by the MNSTC-I for the audit sample of 100 obligations and the associated 395 obligation transactions valued at \$3.3 billion, out of an audit universe of \$4.6 billion in funds appropriated for the ISFF, complied with the intent of Public Law 109-13.

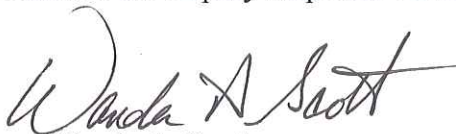
Management Comments

We are providing this report for information and use. The MNSTC-I provided comments and concurred with the report as written. We considered management comments on the discussion draft of this report when preparing the final report. The MNSTC-I was not held to the usual standard of DoD Directive 7650.3 for formatting and submitting comments because there were no recommendations.

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We appreciate the courtesies extended to the staff. Questions should be directed to Mr. Michael J. Barnes at (703) 604-9068 (DSN 664-9068) or Mr. Robert M. Murrell at (703) 604-9074 (DSN 664-9074).

By direction of the Deputy Inspector General for Auditing:

A handwritten signature in black ink, appearing to read "Wanda A. Scott". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Wanda A. Scott
Assistant Inspector General
Readiness and Operational Support Directorate

cc:

Under Secretary of Defense (Comptroller/Chief Financial Officer)
Commander, U.S Central Command
Commander, Multi-National Forces-Iraq
Assistant Secretary of the Army for Financial Management and Comptroller
Auditor General, Department of the Army

Scope and Methodology

Audit Universe. Resource management personnel of the Gulf Region Division, Army Corps of Engineers, Baghdad, Iraq, recorded the incurred obligations of the Multi-National Security Transition Command-Iraq (MNSTC-I). As of June 30, 2006, we extracted an audit universe of 1,074 obligations from the Corps of Engineers' financial management system. The 1,074 obligations comprised 2,114 obligation transactions valued at \$4.6 billion. As of June 30, 2006, \$4.6 billion had been obligated from the \$5.2 billion provided to the Commander, MNSTC-I, as required by Public Law 109-13.

Audit Sample. The Quantitative Methods Directorate at the Office of the Inspector General randomly selected a sample of 100 obligations comprising 395 obligation transactions from the audit universe. The 395 obligation transactions were valued at \$3.3 billion and the audit universe was valued at \$4.6 billion. The sample plan comprised four stratum that were less than \$1 million for 20 sample obligations, \$1 million to less than \$10 million for 35 sample obligations, \$10 million to less than \$97 million for 35 sample obligations, and greater than \$97 million for 10 sample obligations.

Audit Projection. The Quantitative Methods Directorate determined that mathematical issues prevented using standard statistical formulas when zero errors are found in the sample. Therefore, exact projections to the population could not be made.

Methods of Purchasing Goods and Services. Generally, the MNSTC-I used three methods to procure goods and services. In all three methods, a Purchase Request and Commitment form (DA Form 3953) normally initiated the procurement action.

In the first method, the MNSTC-I ordered goods and services directly. This method included 160 sample transactions valued at \$.32 billion. The Joint Contracting Command-Iraq/Afghanistan, Baghdad, Iraq, normally executed contracts³ to procure the goods and services. The contract establishes the obligation. We requested the contractual⁴ and supporting documentation⁵ from the MNSTC-I, the Joint Contracting Command-Iraq/Afghanistan, and the Gulf Region Division for our review.

³A contract may be defined as a mutually binding legal relationship obligating the seller to furnish the goods or services and the buyer to pay for them. A contract includes all types of commitments that obligate the Government to an expenditure of appropriated funds and that, except as otherwise authorized, are in writing. This includes (but is not limited to) rental and lease agreements, purchase orders, delivery orders, service contracts, requirements-type contracts, and bilateral instruments.

⁴Contractual documentation for procuring goods and services consisted of various types of documents including Solicitation/Contract/Order for Commercial Items (Standard Form 1449), Amendment of Solicitation/Modification of Contract (Standard Form 30), Order for Supplies or Services (DoD Form 1155), and an Acceptance of MIPR [Military Interdepartmental Purchase Request] (DoD Form 448-2).

⁵Supporting documentation for the procurement of goods and services consisted of various types of documents to include a purchase request; a purchase request summary sheet; documentation used to establish requirements and/or justify requirements; documentation used for routing, coordination, and approvals within the MNSTC-I; requests for the MIPRs within the MNSTC-I; the MIPRs; and documentation showing legal reviews of procurements within the MNSTC-I.

In the second method, the MTSTC-I ordered goods from other DoD organizations located in the United States and Germany using Category I (reimbursable funds citation) MIPRs. This method included 23 sample transactions valued at \$.13 billion. The DoD organizations receiving the MIPRs normally delivered goods to the MNSTC-I from existing inventories. The Acceptance of MIPR form is the authority for the organization initiating the procurement to record the obligation of funds.⁶ We requested the Acceptance of MIPR form and supporting documentation through the MNSTC-I, including documentation from the purchasing organizations, for our review.

In the third method, the MTSTC-I ordered goods and services from other DoD and Government organizations in the United States and Iraq using Category II (direct funds citation) MIPRs. This method included 212 sample transactions valued at \$2.8 billion. The DoD and other Government organizations executed contracts to procure the goods and services. A conformed⁷ copy of the contract is the authority to record the obligation.⁸ We requested the contractual and supporting documentation through the MNSTC-I, to include documentation from the purchasing organizations, for our review.

The following table identifies the U.S. Government organizations and types of documents used in the process to obligate funds. The table also shows the number of obligations, the number of obligation transactions, and the amounts obligated for the audit sample.

⁶Defense Federal Acquisition Regulation Supplement; Procedures, Guidance and Information; Subpart 208.70 – “Coordinated Acquisition,” paragraph 208.7004-2(3)(i) (added July 11, 2006).

⁷Defense Federal Acquisition Regulation Supplement, Subpart 204.8 – “Contract Files,” paragraph 204.802(1)(ii) (revised September 8, 2006) states “Conformed copies” means copies that are complete and accurate, including the date signed and the names and titles of the parties who signed them.

⁸Defense Federal Acquisition Regulation Supplement; Procedures, Guidance and Information; Subpart 208.70 – “Coordinated Acquisition,” paragraph 208.7004-2(4) (added July 11, 2006).

**U.S. Government Organizations and Types of Documents
Used to Obligate Funds for the Audit Sample**

	Number of Sample Obligation <u>Identifiers</u>	Number of Sample Obligation <u>Transactions</u>	Amount of Sample Obligations <u>Incurred</u>
<u>Direct Contracts</u>			
Joint Contracting Command - Iraq/Afghanistan	45	160	\$322,273,641
<u>Military Interdepartmental Purchase Requests</u>			
Category I or Reimbursable Funds Citation			
Army Medical Materiel Center, Europe	1	1	\$ 10,114,661
Defense Logistics Agency	5	22	115,567,420
Subtotal - Category I or Reimbursable Funds Citation	6	23	\$125,682,081
Category II or Direct Funds Citation			
Air Force Center for Environmental Excellence	11	122	\$ 988,866,447
Armed Forces Services Corporation	1	1	13,444,320
Army Communications and Electronics Command	2	6	59,524,327
Army Contracting Agency Information Technology E-Commerce and Commercial Contracting Center	1	3	17,001,082
Army Engineering and Support Center	1	1	45,583,143
Army Materiel Command	1	4	209,727,000
Army Tank-automotive and Armaments Command	13	55	480,488,897
Defense Security Coordination Agency	5	5	262,668,818
Department of State	1	2	20,275
Department of State, Bureau for International Narcotics and Legal Affairs	1	1	664,000,000
DoD Institute of International Legal Studies	1	1	16,130
Gulf Region Division, U.S. Army Corps of Engineers	7	7	26,439,114
Project and Contracting Office, Iraq	2	2	40,921,551
Second U.S. Marine Expeditionary Force	1	1	1,282,324
Special Operations Command Central	1	1	9,995
Subtotal - Category II or Direct Funds Citation	49	212	\$2,809,993,423
Total	100	395	\$3,257,949,145

Obligations Guidance

The guidance for obligations, documentary evidence for obligations, contracts, and specificity for evidence supporting obligations is discussed in several publications.

Obligations. The DoD Financial Management Regulation (FMR), Volume 1, Definitions, December 2001, states that obligations are:

Amounts of orders placed, contracts awarded, services received, and similar transactions during an accounting period that will require payment during the same, or a future, period.

The Government Accountability Office (GAO), Office of the General Counsel, *Principles of Federal Appropriations Law (Principles)*, Third Edition, Volume II, February 2006, Chapter 7, GAO-06-382SP (*Principles*),⁹ states:

... because of the immense variety of transactions in which the government is involved, GAO has defined 'obligation' only in the most general terms and has instead analyzed on a case-by-case basis the nature of the particular transaction at issue to determine whether an obligation has been incurred. The most one finds in the decisions are general statements referring to an obligation in such terms as a 'definite commitment which creates a legal liability of the Government for the payment of appropriated funds for goods and services ordered or received.' [GAO Decision] B-116795, June 18, 1954

Documentary Evidence for Obligations. Section 1501, title 31, United States Code, (31 U.S.C. § 1501) (2003), requires documentary evidence for Government obligations. According to 31 U.S.C. § 1501(a)(1)(A) and 31 U.S.C. § 1501(a)(1)(B):

(a) an amount shall be recorded as an obligation of the United States Government only when supported by documentary evidence of - -
(1) a binding agreement between an agency and another person (including an agency) that is - -
(A) in writing, in a way and form, and for a purpose authorized by law; and
(B) executed before the end of the period of availability for obligation of the appropriation or fund used for specific goods to be delivered, real property to be bought or leased, or work or service to be provided;

The DoD FMR, Volume 14, Chapter 1, "Administrative Control of Appropriations," October 2002, paragraph 010207, states:

An amount shall be recorded as an obligation or expenditure when incurred as supported by documentary evidence of the occurrence of the event.

Contracts. The DoD FMR, Volume 1, Definitions, December 2001, states that contracts are:

Any enforceable agreement, including rental and lease agreements and purchase orders, between an Agency and a business concern for the acquisition of property or services.

⁹The Comptroller General of the United States, the head of the GAO, issues decisions in various areas of Federal law. The *Principles* was prepared by the GAO to present a basic reference work covering those areas of law in which the Comptroller General renders decisions (such as obligations).

The *Principles* states “An agreement must be legally binding (offer, acceptance, consideration, made by an authorized official).” As stated in a 1991 decision:

The primary purpose of [31 U.S.C.] section 1501(a)(1) is to “require that there be an *offer* and *acceptance* imposing liability on both parties.” 39 Comp. Gen. 829, 831 (1960). Hence the government may record an obligation under section 1501 only upon evidence that both parties to the contract willfully express the intent to be bound.”

Requirement of Specificity. The DoD FMR, Volume 11A, Chapter 3, “Economy Act Orders and Other Interagency Orders,” March 2003, paragraph 030205, states:

Economy Act orders (interservice and intragovernmental support agreements) shall be specific, definite and certain both as to the work encompassed by the order and the terms of the order itself.

The DoD FMR, Volume 14, Chapter 1, “Administrative Control of Appropriations,” October 2002, and paragraph 010207, states:

An amount shall be recorded as an obligation or expenditure when incurred as supported by documentary evidence of the occurrence of the event.

The *Principles* states:

The statute [31 U.S.C. § 1501(a)(1)(B)] requires documentary evidence of a binding agreement for *specific* goods and services. An agreement that fails this test is not a valid obligation.

... a purchase order which lacks a description of the products to be provided is not sufficient to create a recordable obligation. [GAO Decision] B-196109, Oct. 23, 1979. In the cited decision, a purchase order for “regulatory, warning, and guide signs based on information supplied” on requisitions to be issued did not validly obligate fiscal year 1978 funds where the requisitions were not sent to the supplier until after the close of fiscal year 1978.

Military Interdepartmental Purchase Request

A Military Interdepartmental Purchase Request (MIPR) is an order issued by a DoD Component to the same or another DoD Component to procure goods, services, or equipment. A MIPR is an Economy Act order.

Economy Act Order. Goods and services may be procured from other Federal agencies under the Economy Act, Title 31, sections 1535 and 1536 or other statutory authorities. Section 1535, title 31, United States Code (31 U.S.C. § 1535) (2003), provides the legal authority to procure goods and services from other Federal agencies. According to 31 U.S.C. § 1535(a)(1) through 31 U.S.C. § 1501(a)(4):

- (a) The head of an agency or major organizational unit within an agency may place an order with a major organizational unit within the same agency or another agency for goods or services if - -
 - (1) amounts are available;
 - (2) the head of the ordering agency or unit decides the order is in the best interest of the United States Government;
 - (3) the agency or unit to fill the order is able to provide or get by contract the ordered goods or services; and
 - (4) the head of the agency decides ordered goods or services cannot be provided by contract as conveniently or cheaply by a commercial enterprise.

According to 31 U.S.C. § 1535(d)(1) and 31 U.S.C. § 1501(d)(2):

- (d) An order placed or agreement made under this section obligates an appropriation of the ordering agency or unit. The amount obligated is deobligated to the extent that the agency or unit filling the order has not incurred obligations, before the end of the period of availability of the appropriation, in -
 - (1) providing goods or services; or
 - (2) making an authorized contract with another person to provide the requested goods or services.

The DoD Financial Management Regulation, Volume 11A, Chapter 3, "Economy Act Orders and Other Interagency Orders," March 2003, paragraph 030206A, states:

An Economy Act order obligates the applicable appropriation of the requesting agency or unit upon acceptance of the order by the servicing agency. The entire amount of a reimbursable order should be obligated by the requesting agency when the order is accepted.

Military Interdepartmental Purchase Request. The DoD Financial Management Regulation, Volume 11A, Chapter 3, "Economy Act Orders and Other Interagency Orders," March 2003, paragraph 030102, and paragraph 030101, state respectively:

Within the Department, an activity within a DoD Component may place an order with another activity within the same DoD Component, another DoD Component or with another federal agency for goods or services.

Within the Department of Defense (DoD), Economy Act orders typically are executed by issuance of a DD Form 448, 'Military Interdepartmental Purchase Request (MIPR).'

Acceptance of a Military Interdepartmental Purchase Request. The Defense Federal Acquisition Regulation Supplement; Procedures, Guidance and Information; Subpart 208.70 – "Coordinated Acquisition," paragraph 208.7004-2(1) (added July 11, 2006) states:

Acquiring departments formally accept a MIPR by DD Form 448-2, Acceptance of MIPR, as soon as practicable, but no later than 30 days after receipt of the MIPR.

Procedures for Using Military Interdepartmental Purchase Requests. The Defense Federal Acquisition Regulation Supplement; Procedures, Guidance and Information; Subpart 208.70 – "Coordinated Acquisition," paragraphs 208.7004-1 and 208.7004-2 (added July 11, 2006) discuss procedures for using MIPRs.

The ordering organization sends its requirements to a purchasing organization on a MIPR and that is the authority for the purchasing organization to acquire the goods or services on behalf of the ordering organization. The purchasing organization is authorized to create obligations against the funds cited in a MIPR without further referral to the ordering organization.

The purchasing organization has no responsibility to determine the validity of a stated requirement in an approved MIPR, but it should bring apparent errors in the requirement to the attention of the ordering organization. Changes that affect the contents of the MIPR must be processed as a MIPR amendment regardless of the status of the MIPR. The ordering organization must submit requirements for additional line items of goods or services not provided for in the original MIPR as a new MIPR.

Purchasing organizations formally accept a MIPR using an Acceptance of MIPR form and must accept the MIPRs in writing before they expire

Methods of Funding. The Defense Federal Acquisition Regulation Supplement; Procedures, Guidance and Information; Subpart 208.70 – "Coordinated Acquisition," paragraph 208.7004-2(2) (added July 11, 2006) states:

The acquiring [purchasing] organization in accepting a MIPR will determine whether to use Category I (reimbursable funds citation) or Category II (direct funds citation) methods of funding.

Category I or Reimbursable Funds Citation Method of Funding. The reimbursable funds citation is used for various purposes including deliveries from existing inventories of the purchasing organization. Normally, a new contract is not initiated for the delivery of the goods or services. In this case, the Acceptance of MIPR form is the authority for the ordering organization to record the obligation of funds.

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Category II or Direct Funds Citation Method of Funding. The direct funds citation is used in circumstances other than those applicable to the reimbursable funds citation and results in citation of the ordering organization's funds and the MIPR number in the resultant contract. In this case, the conformed copy of the contract is the authority to record the obligation.

Definitions of the Conclusion Categories Used for the Audit

We defined the conclusions for the four categories as follows.

- “Obligations met the intent of the legislation” means that the contractual or supporting documentation, or both, specifically stated that the goods or services were procured for the Iraqi Security Forces or an organization, function, or mission within the Iraqi Ministry of Defense or Ministry of Interior.
- “Obligations did not meet the intent of the legislation” means that the contractual or supporting documentation, or both, specifically stated that the goods or services were not procured for the Iraqi Security Forces or an organization, function, or mission within the Iraqi Ministry of Defense or Ministry of Interior.
- “Insufficient documentation was provided to determine whether the intent of the legislation was met” means that the contractual documentation was not provided or other pertinent supporting documentation was not provided. We also reached this conclusion if contractual and pertinent supporting documentation was provided but neither specifically stated or specifically did not state that the goods or services were procured for the Iraqi Security Forces or an organization, function, or mission within the Iraqi Ministry of Defense or Ministry of Interior.
- “No documentation was provided to determine whether the intent of the legislation was met” means that no documentation was provided or made available.